

# **EXHIBIT 7**

## **Second Deposition of Andrew Zimbalist Excerpts**

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UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF NEVADA

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CUNG LE, NATHAN QUARRY, JOHN FITCH,  
BRANDON VERA, LUIS JAVIER VAZQUEZ,  
and KYLE KINGSBURY, on behalf of  
themselves and all others similarly  
situated,

Plaintiffs,

Case No.

-against- 2:15-cv-01045-RFB(PAL)

ZUFFA, LLC, d/b/a ULTIMATE FIGHTING  
CHAMPIONSHIP and UFC,

Defendants.

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H I G H L Y C O N F I D E N T I A L

Videotaped oral deposition of  
ANDREW ZIMBALIST, Ph.D., taken pursuant  
to notice, was held at the law offices  
of Cohen Millstein, 88 Pine Street, New  
York, New York, commencing January 26,  
2018, 10:13 a.m., on the above date,  
before Leslie Fagin, a Court Reporter  
and Notary Public in the State of New  
York.

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<p style="text-align: right;">Page 38</p> <p>1 A. Zimbalist - Confidential</p> <p>2 subgroup of sellers. I would look at when</p> <p>3 they change the price up or down, depending,</p> <p>4 we are talking the input or output market,</p> <p>5 what happened to the profitability of the</p> <p>6 company. In order to do that, I don't have</p> <p>7 to say that John and Mary and Susan and Peter</p> <p>8 are the consumers I'm concerned with. I'm</p> <p>9 looking at the company and the company's</p> <p>10 record, the company's performance.</p> <p>11 Q. Why is it relevant that Professor</p> <p>12 Blair didn't analyze the substitutability of</p> <p>13 fighters?</p> <p>14 A. Because Professor Blair is now at</p> <p>15 the second level, which is he is defining the</p> <p>16 concentration in the market. He is doing</p> <p>17 that using bouts instead of using revenue,</p> <p>18 but he hasn't defined who he is looking at or</p> <p>19 what he is looking at before he does either</p> <p>20 of those tests.</p> <p>21 Q. So let's talk about market share.</p> <p>22 Let's go back to our widgets in a regular</p> <p>23 normal market downstream market.</p> <p>24 Is it appropriate for me to define</p> <p>25 market shares based on the input purchases</p>	<p style="text-align: right;">Page 40</p> <p>1 A. Zimbalist - Confidential</p> <p>2 Q. Yes.</p> <p>3 A. I would define concentration ratio</p> <p>4 in terms of the percent of widget sales, not</p> <p>5 the percent of concentration of input</p> <p>6 purchases.</p> <p>7 If you are using input purchases,</p> <p>8 one of the distortions you would have is that</p> <p>9 those firms that were least efficient and may</p> <p>10 have bought much larger quantities of inputs</p> <p>11 would have more economic power in the output</p> <p>12 market. That wouldn't make any sense to me.</p> <p>13 Q. Turning to paragraph 3 of your</p> <p>14 report. You quote a section in the merger</p> <p>15 guidelines that talks about the appropriate</p> <p>16 use for shares or the appropriate metric for</p> <p>17 shares. And that quote, In most contexts,</p> <p>18 the agencies measure each firm's market share</p> <p>19 based on its actual or projected revenues, is</p> <p>20 that correct?</p> <p>21 A. Yes.</p> <p>22 Q. That is talking about a downstream</p> <p>23 market. We are not talking about an input</p> <p>24 market, is that right?</p> <p>25 A. You are talking about a product</p>
<p style="text-align: right;">Page 39</p> <p>1 A. Zimbalist - Confidential</p> <p>2 that manufacturers make?</p> <p>3 MR. CRAMER: Objection to form,</p> <p>4 incomplete hypothetical.</p> <p>5 A. We're interested in describing the</p> <p>6 concentration ratio or the concentration</p> <p>7 characteristics of the widgets market, yes.</p> <p>8 Is that what you said?</p> <p>9 Q. Yes.</p> <p>10 A. You want to know if it's</p> <p>11 appropriate for you to look at what?</p> <p>12 Q. At the purchases made by</p> <p>13 competitors in that market of inputs.</p> <p>14 A. I'm confused by your question. We</p> <p>15 want to define concentration in the product</p> <p>16 market, so, first of all, you are postulating</p> <p>17 that there are competitors. So that's</p> <p>18 already been established.</p> <p>19 Q. That's right.</p> <p>20 A. And you want to know whether we are</p> <p>21 going to define -- it's okay to define</p> <p>22 concentration in the widget product market by</p> <p>23 looking at the percent of input purchases by</p> <p>24 the various firms that we've decided are in</p> <p>25 this market.</p>	<p style="text-align: right;">Page 41</p> <p>1 A. Zimbalist - Confidential</p> <p>2 market, not an input market, yes.</p> <p>3 Q. When you are defining an input</p> <p>4 market, do you look at the downstream</p> <p>5 revenues or do you look at the upstream</p> <p>6 purchases?</p> <p>7 A. Well, it depends on what input</p> <p>8 market you are looking at.</p> <p>9 Q. Why does it matter which input</p> <p>10 market you are looking at?</p> <p>11 A. You would look at the percent of</p> <p>12 control by one firm or by -- if you are using</p> <p>13 multiple firms you are looking at</p> <p>14 concentration ratios, you would look at the</p> <p>15 percent of the inputs that they had</p> <p>16 purchased.</p> <p>17 Q. You wouldn't look at downstream</p> <p>18 revenues?</p> <p>19 A. You would look at concentration in</p> <p>20 the input market.</p> <p>21 Q. So why is your critique that</p> <p>22 Professor Blair didn't look -- why are you</p> <p>23 critiquing Professor Blair by saying he</p> <p>24 should have looked at downstream event</p> <p>25 revenues?</p>

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<p>1 A. Zimbalist - Confidential</p> <p>2 A. Because he is looking at the output</p> <p>3 market when he looks at the shares of bouts</p> <p>4 that different producers put on.</p> <p>5 Q. Is he?</p> <p>6 A. I think so.</p> <p>7 Q. Why isn't he looking at basically</p> <p>8 just the number of fights that were purchased</p> <p>9 by the promoter?</p> <p>10 A. Bouts are output, that's what is</p> <p>11 being sold to the public.</p> <p>12 Q. But that's also what's being</p> <p>13 purchased from the fighters, isn't it?</p> <p>14 A. Well, if you wanted to look at the</p> <p>15 concentration of purchase of the input, then</p> <p>16 you would be defining it in terms of the</p> <p>17 number of fighters and I think you would also</p> <p>18 be looking at a weighting of the fighters</p> <p>19 according to their compensation.</p> <p>20 There are some fighters would be</p> <p>21 more important than others, but if firm A was</p> <p>22 hiring all of the best fighters and they pay</p> <p>23 each of those fighters a million dollars a</p> <p>24 bout and firm B was hiring many, many, many</p> <p>25 more fighters, but they paid each of them \$10</p>	<p>1 A. Zimbalist - Confidential</p> <p>2 A. I think that the data on</p> <p>3 compensation for the fighters is available.</p> <p>4 Q. I understand what you think I'm</p> <p>5 asking --</p> <p>6 A. I'm critiquing Dr. Blair's</p> <p>7 definition in a particular case, you are</p> <p>8 posing a hypothetical case that doesn't</p> <p>9 pertain to what Dr. Blair did, is that</p> <p>10 correct.</p> <p>11 Q. I understand that, but I'm just</p> <p>12 asking in that world, would it be appropriate</p> <p>13 to try to calculate share through some other</p> <p>14 metric if you don't have adequate</p> <p>15 compensation data?</p> <p>16 MR. CRAMER: Objection, incomplete</p> <p>17 hypothetical and calls for a legal</p> <p>18 conclusion.</p> <p>19 A. I would have to pass on that</p> <p>20 question because I would need to know what</p> <p>21 data is available and then, once I knew that,</p> <p>22 I would have to think about it for a while.</p> <p>23 It's not a question that has the necessary or</p> <p>24 a single answer. It depends on what data is</p> <p>25 available. It depends upon other factors and</p>
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<p>1 A. Zimbalist - Confidential</p> <p>2 a bought, then I think, once again, you would</p> <p>3 need to have -- first you would be looking at</p> <p>4 number of fighters rather than number of</p> <p>5 bouts because you could be using, after all,</p> <p>6 the same fighters to be in every bout, so you</p> <p>7 want to look at the input, which is the</p> <p>8 fighter, not the bout, which is the output.</p> <p>9 And then, secondly, you would want</p> <p>10 to weight it according to the importance of</p> <p>11 the fighters and that would be the payment to</p> <p>12 those inputs.</p> <p>13 Q. Now, let's imagine you are in a</p> <p>14 world where you don't have any of that data.</p> <p>15 Is there an acceptable way to</p> <p>16 measure share?</p> <p>17 MR. CRAMER: Objection to form,</p> <p>18 incomplete hypothetical.</p> <p>19 A. You don't have any of what data.</p> <p>20 Q. Let's say you don't have all of the</p> <p>21 compensation data for all of the different</p> <p>22 fighters that were in the market.</p> <p>23 In that world, is there an</p> <p>24 appropriate way to measure market share?</p> <p>25 MR. CRAMER: Objection to form.</p>	<p>1 A. Zimbalist - Confidential</p> <p>2 characteristics of the market.</p> <p>3 Q. Let me add one thing to the</p> <p>4 hypothetical that I gave you. Let's assume</p> <p>5 the only data you have is downstream event</p> <p>6 revenue.</p> <p>7 Would it be appropriate in that</p> <p>8 world to measure market share using</p> <p>9 downstream event revenue?</p> <p>10 A. I would want to think about that.</p> <p>11 I haven't thought about that for this case.</p> <p>12 Q. What is a Professional Fighters</p> <p>13 Association?</p> <p>14 A. I've seen references to it, but I</p> <p>15 am not sure.</p> <p>16 Q. Do you have any affiliation with</p> <p>17 the Professional Fighters Association?</p> <p>18 A. Not that I know of.</p> <p>19 (Exhibit 10, printout of the web</p> <p>20 page for the Professional Fighters</p> <p>21 Association, marked for identification.)</p> <p>22 Q. I'm handing you what is marked</p> <p>23 Exhibit 10, which is a printout of the web</p> <p>24 page for the Professional Fighters</p> <p>25 Association.</p>

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<p>1 A. Zimbalist - Confidential</p> <p>2 same, but the revenue grows and if that were</p> <p>3 true, I would have to think about it, then I</p> <p>4 might come to that conclusion. I might, but</p> <p>5 if you look at the professional sports</p> <p>6 leagues, it's not the case that as the</p> <p>7 leagues grow, that the inputs stay the same</p> <p>8 and, in fact, for instance, one of the major</p> <p>9 reasons why the revenue grows is because the</p> <p>10 inputs grow.</p> <p>11 So we've had since 1992, in</p> <p>12 professional sports, a stadium revolution,</p> <p>13 stadiums used to cost a \$100 million, \$150</p> <p>14 million. Now, stadiums are getting built for</p> <p>15 a billion, 2 billion, \$2-1/2 billion.</p> <p>16 Stan Conte is building one in</p> <p>17 Engelwood, California right now that costs</p> <p>18 \$3-1/2 billion.</p> <p>19 If it were the case that the Los</p> <p>20 Angeles Rams were still playing in the</p> <p>21 coliseum and the coliseum hadn't been</p> <p>22 renovated and somehow, magically, they were</p> <p>23 still generating the revenue that they will</p> <p>24 generate in Englewood, then your proposition</p> <p>25 may make some sense to me, but I haven't</p>	<p>1 A. Zimbalist - Confidential</p> <p>2 A. In my rebuttal report?</p> <p>3 Q. You discuss a number of inputs that</p> <p>4 can effect event revenue, other than simply</p> <p>5 athlete --</p> <p>6 A. I do, yes.</p> <p>7 Q. What are those inputs?</p> <p>8 A. So which sport are you talking</p> <p>9 about?</p> <p>10 Q. Do they vary between sports?</p> <p>11 A. Somewhat.</p> <p>12 Q. Let's start with Major League</p> <p>13 Baseball.</p> <p>14 A. What other inputs are there besides</p> <p>15 the athlete?</p> <p>16 Q. Yes.</p> <p>17 A. Let's start by acknowledging that</p> <p>18 the athletes are the major input, that they</p> <p>19 are the product. I think it's an important</p> <p>20 thing to understand, which is to say if you</p> <p>21 go to a game at Madison Square Garden, you</p> <p>22 want to see Porzingis play or one of the</p> <p>23 other people on the Knicks play or maybe</p> <p>24 Golden State is visiting and you want to see</p> <p>25 that wonderful team, you are going to do</p>
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<p>1 A. Zimbalist - Confidential</p> <p>2 studied that explicitly and I would want to</p> <p>3 consider it more.</p> <p>4 Q. If taxpayers pay for a stadium, do</p> <p>5 input costs change?</p> <p>6 A. Often they do. For instance, even</p> <p>7 though the Yankees paid for Yankee Stadium,</p> <p>8 they spent close to a \$100 million a year</p> <p>9 operating it, but what we find, since you</p> <p>10 raised it, what we find over the last 20</p> <p>11 years, roughly, is that the public share of</p> <p>12 stadium construction cost is on the order of</p> <p>13 60 percent and the private share is on the</p> <p>14 order of 40 percent. That varies a great</p> <p>15 deal by team and by city and by league.</p> <p>16 Q. You identify a number of inputs</p> <p>17 that can effect event revenue, is that an</p> <p>18 accurate statement?</p> <p>19 MR. CRAMER: Objection to form.</p> <p>20 A. Did you assert that I identify a</p> <p>21 number of inputs?</p> <p>22 Q. Yes.</p> <p>23 A. So you are saying that in my</p> <p>24 answer, I have identified?</p> <p>25 Q. In your rebuttal --</p>	<p>1 A. Zimbalist - Confidential</p> <p>2 that, so your demand for the game, for going</p> <p>3 to the game, for spending some ridiculous</p> <p>4 amount on your tickets has to do with you are</p> <p>5 consuming the players themselves, the</p> <p>6 athletes, whereas, when you buy a pair of</p> <p>7 shoes, you are buying the product of a lot of</p> <p>8 anonymous workers' output, so there is a</p> <p>9 major difference there.</p> <p>10 So one of the things is that the</p> <p>11 athletes are the first and major source of</p> <p>12 revenue. Beyond that, the facility, the</p> <p>13 venue contributes to producing revenue. The</p> <p>14 media is another input, contributes to --</p> <p>15 MR. CRAMER: Just so it's clear,</p> <p>16 you are answering questions about</p> <p>17 baseball now.</p> <p>18 THE WITNESS: I think this is the</p> <p>19 starting point.</p> <p>20 MR. CRAMER: Good.</p> <p>21 A. Memorabilia sold produces revenue</p> <p>22 for the teams, signage and advertising</p> <p>23 produces, corporate sponsorship produces,</p> <p>24 concessions produces revenue for the team and</p> <p>25 then there are some auxiliary activities that</p>

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<p>1 A. Zimbalist - Confidential</p> <p>2 baseball engages in that produce revenue for</p> <p>3 the team such as MLBAM, which is the internet</p> <p>4 wing of baseball and has generated a</p> <p>5 significant amount of revenue for the league,</p> <p>6 so those, I would say, are the major revenue</p> <p>7 generating inputs.</p> <p>8 Q. Can you determine what the</p> <p>9 relationship between those inputs are and the</p> <p>10 revenue they generate by an event?</p> <p>11 MR. CRAMER: Objection to form.</p> <p>12 A. The relationship between the</p> <p>13 inputs, I can describe it to you.</p> <p>14 Q. But can you quantify it?</p> <p>15 A. Can I quantify the relationship?</p> <p>16 MR. CRAMER: Objection to form.</p> <p>17 A. Between the inputs?</p> <p>18 Q. And the revenue they generate.</p> <p>19 MR. CRAMER: Misstates the</p> <p>20 testimony, foundation, form.</p> <p>21 A. In theory, one could imagine taking</p> <p>22 a baseball team that plays in on old stadium</p> <p>23 in year 1 and moves to a new stadium in year</p> <p>24 2, where the personnel on the team stay</p> <p>25 pretty constant and, in that case, you could</p>	<p>1 A. Zimbalist - Confidential</p> <p>2 tried to determine the contribution of</p> <p>3 those inputs respectively to revenues</p> <p>4 generated by those inputs?</p> <p>5 MR. WIDNELL: No, I'm asking if he</p> <p>6 made any effort to quantify the</p> <p>7 different contributions of inputs to</p> <p>8 National Football League event revenue.</p> <p>9 MR. CRAMER: Objection to form.</p> <p>10 A. Again, you are referring to the two</p> <p>11 reports I have written in this case?</p> <p>12 Q. Yes.</p> <p>13 A. The answer is no.</p> <p>14 Q. And for the other sports in your</p> <p>15 comparisons, have you made any effort to</p> <p>16 identify the contribution of inputs to event</p> <p>17 revenue?</p> <p>18 MR. CRAMER: Objection to form.</p> <p>19 A. Quantify?</p> <p>20 Q. Quantify.</p> <p>21 A. Again, you are referring to the two</p> <p>22 reports I have written in this case?</p> <p>23 Q. Yes.</p> <p>24 A. No.</p> <p>25 Q. Have you made any effort to assess</p>
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<p>1 A. Zimbalist - Confidential</p> <p>2 attribute most of the change in revenue to</p> <p>3 the new venue, so, in theory, you could</p> <p>4 imagine doing something like that.</p> <p>5 There might be other inputs, maybe</p> <p>6 the managers and coaches change. That would</p> <p>7 be different. Maybe the athletes are more</p> <p>8 healthy in year 1 than year 2 or, vice-versa,</p> <p>9 so you wouldn't get a perfectly clean</p> <p>10 measurement.</p> <p>11 Q. Have you made any effort to</p> <p>12 quantify the various contributions that</p> <p>13 different inputs in Major League Baseball</p> <p>14 make to event revenue?</p> <p>15 A. In my reports in this case?</p> <p>16 Q. Yes.</p> <p>17 A. No.</p> <p>18 Q. Have you made any effort to</p> <p>19 quantify the different contributions that the</p> <p>20 inputs in the National Football League or the</p> <p>21 different inputs contribute to revenue in the</p> <p>22 National Football League?</p> <p>23 MR. CRAMER: Let me object.</p> <p>24 To clarify, you are asking whether</p> <p>25 he went input by input for any sport and</p>	<p>1 A. Zimbalist - Confidential</p> <p>2 the magnitude of the contribution of inputs</p> <p>3 into event revenue for any of the sports you</p> <p>4 compare in these two reports?</p> <p>5 MR. CRAMER: Objection to form.</p> <p>6 A. Yes.</p> <p>7 Q. What have you done?</p> <p>8 A. Well, I have explained that the</p> <p>9 ratio of combined MRP to revenue in UFC is</p> <p>10 what I would expect to be at least as high,</p> <p>11 either equal to or higher than the other</p> <p>12 sports and I suggest that one of the major</p> <p>13 factors that undergirds that expectation or</p> <p>14 supports that expectation is that Major</p> <p>15 League team sports that I'm considering in my</p> <p>16 reports play in facilities that either cost</p> <p>17 hundreds of millions or billions of dollars</p> <p>18 and the team owners contribute, on average,</p> <p>19 around 40 percent to and that they also spend</p> <p>20 an enormous amount of money, tens of millions</p> <p>21 of dollars, sometimes over a \$100 million to</p> <p>22 operate those facilities.</p> <p>23 If I remember correctly, the UFC</p> <p>24 reports or the Zuffa financial reports that I</p> <p>25 read, at least for some of the years, had</p>